

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 1, 2005



**CRIT LUALLEN
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EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
CARROLL COUNTY
SHERIFF'S SETTLEMENT - 2004 TAXES**

April 1, 2005

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2004 Taxes for Carroll County Sheriff as of April 1, 2005. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$5,764,389 for the districts for 2004 taxes, retaining commissions of \$201,606 to operate the Sheriff's office. The Sheriff distributed taxes of \$5,560,569 to the districts for 2004 Taxes. Taxes of \$178 are due to the districts from the Sheriff.

Report Comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

On November 9, 2004, \$765,269 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Honorable Charles Maiden, Jr., Carroll County Sheriff

Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the Carroll County Sheriff's Settlement - 2004 Taxes as of April 1, 2005. This tax settlement is the responsibility of the Carroll County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Carroll County Sheriff's taxes charged, credited, and paid as of April 1, 2005, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 11, 2005, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Honorable Charles Maiden, Jr., Carroll County Sheriff

Members of the Carroll County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
July 11, 2005

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2004 TAXES

April 1, 2005

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 331,590	\$ 624,672	\$ 1,811,312	\$ 588,927
Tangible Personal Property	169,909	366,617	493,071	756,953
Intangible Personal Property				36,155
Increases Through Exonerations	36	50	197	59
Fire Protection	462			
Franchise Corporation	105,504	171,977	424,785	
Limestone, Sand, and Mineral Reserves	1,185	1,659	6,472	1,940
Penalties	2,103	3,806	11,250	3,474
Adjusted to Sheriff's Receipt			1	2
Gross Chargeable to Sheriff	<u>\$ 610,789</u>	<u>\$ 1,168,781</u>	<u>\$ 2,747,088</u>	<u>\$ 1,387,510</u>
<u>Credits</u>				
Exonerations	\$ 810	\$ 1,707	\$ 4,199	\$ 1,219
Discounts	8,277	16,600	36,897	24,707
Delinquents:				
Real Estate	5,225	10,830	28,523	8,550
Tangible	318	477	923	517
Total Credits	<u>\$ 14,630</u>	<u>\$ 29,614</u>	<u>\$ 70,542</u>	<u>\$ 34,993</u>
Taxes Collected	\$ 596,159	\$ 1,139,167	\$ 2,676,546	\$ 1,352,517
Less: Commissions *	<u>25,624</u>	<u>37,917</u>	<u>80,296</u>	<u>57,769</u>
Taxes Due	\$ 570,535	\$ 1,101,250	\$ 2,596,250	\$ 1,294,748
Taxes Paid	570,107	1,100,961	2,594,952	1,294,549
Refunds (Current and Prior Year)	<u>390</u>	<u>258</u>	<u>1,189</u>	<u>199</u>
Due Districts as of		**		
Completion of Fieldwork	<u>\$ 38</u>	<u>\$ 31</u>	<u>\$ 109</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2004 TAXES
April 1, 2005
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,754,852
3% on	\$	2,676,546
1% on	\$	322,991

** Special Taxing Districts:

Library District	\$	13
Health District		8
Ghent Fire District		<u>10</u>
Due Districts	\$	<u><u>31</u></u>

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

April 1, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 9, 2004 the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$765,269 of public funds uninsured and unsecured.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
April 1, 2005
(Continued)

Note 2. Deposits (Continued)

The county officials deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 9, 2004.

	<u>Bank Balance</u>
FDIC Insured	\$ 100,000
Collateralized with securities held by the county official's agent in the county official's name	3,582,689
Uncollateralized and uninsured	<u>765,269</u>
Total	<u><u>\$ 4,447,958</u></u>

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2004. Property taxes were billed to finance governmental services for the year ended June 30, 2005. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 12, 2004 through April 1, 2005.

Note 4. Interest Income

The Carroll County Sheriff earned \$3,569 as interest income on 2004 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Carroll County Sheriff collected \$14,544 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of April 1, 2005, the Sheriff owes \$2,075 in 10% add-on fees to his fee account.

Note 6. Advertising Costs

The Carroll County Sheriff collected \$900 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
April 1, 2005
(Continued)

Note 7. Unrefundable Duplicate Payments And Unexplained Revenues Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained revenues in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After three years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2004 taxes, the Sheriff had \$614 in unrefundable duplicate payments and unexplained revenues. Therefore, the Sheriff should send a written report to the Treasury Department.

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COMMENTS AND RECOMMENDATIONS

CARROLL COUNTY
CHARLES MAIDEN, JR., COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

As of April 1, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On November 9, 2004, \$765,269 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

No response.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During our review of the internal control, we found that the Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. However, the lack of segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically agree daily tax collections totals to receipts ledger and deposit slip.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook.
- The Sheriff should agree monthly tax reports to receipts ledger and disbursements ledger.

These reviews should be indicated with the Sheriff's initials.

Sheriff's Response:

No Response.

PRIOR YEAR:

Lacks Adequate Segregation Of Duties

This has not been corrected and is repeated in the current year audit report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Tomlinson, Carroll County Judge/Executive
Honorable Charles Maiden, Jr., Carroll County Sheriff
Members of the Carroll County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Carroll County Sheriff's Settlement - 2004 Taxes as of April 1, 2005, and have issued our report thereon dated July 11, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carroll County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, is considered to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Sheriff's Settlement - 2004 Taxes as of April 1, 2005 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 11, 2005

